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Chairman: Mr. Abelian ..... (Armenia)
later: Mr. Armitage (Vice-Chairman) ..... (Australia)
later: Mr. Abelian (Chairman) ..... (Armenia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10 a.m.

Agenda item 118: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/53/11; A/C.5/53/23, A/C.5/53/24 and A/C.5/53/28)

1. **Mr. Valle** (Brazil), speaking on behalf of the member and associated countries of the Southern Common Market (MERCOSUR), said that, while those countries associated themselves with the statement made on behalf of the Group of 77 and China, they wished to make additional comments.

2. Neither the Committee on Contributions nor the Fifth Committee should hasten to arrive at proposals or decisions, since the scale of assessments was the result of gradual adjustments over many years. The key was to preserve equity and justice in apportioning the expenses of the Organization.

3. The MERCOSUR countries were currently severely affected by fluctuations in external markets, and budget cuts had been necessary to maintain stability. It was therefore critical that the scale of assessments should be stable and predictable. The scale of assessments reflected the application of all the elements of the methodology, and failure to include any would adversely affect capacity to pay. Gross national product should be used for income assessment, but needed to be adjusted the better to reflect capacity to pay. The statistical base period should be long enough to guarantee stability and predictability, particularly at a time of great economic uncertainty; only a comparison over a long period could reflect more accurately capacity to pay. Sudden and extreme fluctuations in the scale should be avoided.

4. Conversion rates were critical in determining income and in scale calculations, and he supported the comments made by the Committee on Contributions in that regard (A/53/11, para. 50), since distortions could produce errors in subsequent scales. In recent scales, increases in the assessments of some countries had been far above their real economic growth rates, a situation which should be avoided in future. The debt-burden adjustment and the low per capita income adjustment were other essential elements of the methodology. Of particular concern was the situation of those developing countries which moved across the low per capita income threshold and were assigned a disproportionate burden. It should be possible for such countries to benefit from an adjustment when they were below the threshold, to enjoy a grace period for a certain number of years, and to be included in the group of countries which absorbed points only after a certain time. Such a change would make the scale more equitable. As for the ceiling, it was the view of the MERCOSUR countries that it deviated from capacity to pay; any reduction would merely contribute to further distortions.

5. The MERCOSUR countries were concerned over the situation that had arisen in connection with the application of Article 19. Between 1967 and 1995 exemptions had been requested by 14 countries, whereas there had been 28 requests since 1995. The new situation demanded new solutions, taking into account the difficulties experienced by certain Member States. In that regard, he reaffirmed rule 160 of the rules of procedure, and noted that the Committee on Contributions intended to consider the question of Article 19 further at its fifty-ninth session. He stressed the importance of the role of the Committee on Contributions and of its technical guidance.

6. **Ms. Wensley** (Australia), speaking also on behalf of the delegations of Canada and New Zealand, said that the Fifth Committee must provide the Committee on Contributions with feedback in order to maximize the value of the latter's work.

7. The procedure for considering requests for exemptions from Article 19 had become a particular focus for the Fifth Committee. That Article remained the only encouragement for early payment of assessed contributions, since no agreement had been reached on incentives for prompt payment or penalties for those countries which failed to honour their obligations. The test for granting a waiver of Article 19 had been intended to be a hard one, and waivers had been agreed to by the General Assembly only after full consideration of the merits of each case. If Article 19 was to achieve its purpose of encouraging those countries that failed to meet their obligation to pay their assessed contributions in full and on time, it must be applied during the main part of the session, at the time of maximum General Assembly activity.

8. It was clear that the procedures relating to requests for exemption required further refinement, but that could only be done if the Fifth Committee provided the Committee on Contributions with the necessary guidance. In recent weeks, the Fifth Committee had taken a piecemeal approach, and had granted waivers without seeking advice from the expert body specifically created for that purpose. The Committee should reflect on an appropriate means of dealing with requests for exemption, and must avoid taking decisions that would extract the teeth from Article 19. Any other course would raise a number of issues such as what precedents would be set; what would be the situation of those Member

States which would soon be advised that they would lose their voting rights on 1 January 1999; whether waiver requests made directly to the General Assembly would become a standard item in the Fifth Committee; and how the Fifth Committee would react to applications for waivers from significant financial contributors. If Article 19 was undermined, the Organization would truly be heading towards financial peril.

9. She noted the comments of the Committee on Contributions on the importance of Member States providing timely and comprehensive information to enable it to undertake a proper analysis of requests for exemption (A/53/11, para. 10). The Fifth Committee should not take any decisions that would set back those efforts.

10. The Committee on Contributions should also consider changes in the way in which Article 19 was applied. One key issue was the timing of the calculation for that purpose, and the Committee on Contributions should make specific proposals in that regard to encourage defaulters to pay more quickly.

11. Given that there had been no real improvement in the financial situation of the United Nations for four years, Article 19, even if strengthened, was not sufficient; other incentives and penalties were required. The Committee on Contributions should fulfil its mandate, established by the General Assembly in 1946, of reporting on the action to be taken if Member States fell into default, and should make specific recommendations in that regard, after considering the full range of available measures.

12. While it embodied welcome improvements, the current scale methodology still did not accurately reflect capacity to pay, and the scale did not fully reflect current global economic realities. The scale should reflect current rather than past economic reality; a short base period of three years was therefore most appropriate. Annual recalculation, a process under which the methodology would remain unchanged for the three-year scale period but data would be updated each year, was of particular importance, since it would allow the scale to reflect significant currency fluctuations or sudden economic events.

13. Regarding the debt-burden adjustment, she hoped that the Committee on Contributions would reaffirm its earlier conclusion that the debt flow measure was the most technically sound of those available.

14. The low per capita income allowance, which was the largest source of redistributed points, deserved close attention in any review of the methodology. It currently gave disproportionate benefits to a small number of very large developing countries. The Committee on Contributions should consider how to reduce the level of benefit enjoyed by that group, and should explore how the allowance might better reflect relative shares of national income.

15. Lastly, another major source of redistributed points was the ceiling, which conferred a benefit on the largest and wealthiest contributor, the burden of which was borne by the other contributors.

16. **Mr. Hasmy Agam** (Malaysia) said that his delegation associated itself with the statements made on behalf of the Group of 77 and China and the Association of South-East Asian Nations.

17. The expenses of the Organization should be borne by Member States, as apportioned by the General Assembly in accordance with capacity to pay. His delegation was concerned over the Organization's deteriorating financial situation, which was adversely affecting the Secretariat's capacity to implement mandated programmes and activities. Malaysia, for its part, had consistently fulfilled its obligations, despite the current financial crisis which affected it and the fact that it was still owed some $21 million for troops and equipment contributed to peacekeeping operations. It was therefore regrettable that some Member States had not met their financial obligations promptly, in full and without conditions.

18. In view of the urgent need to address the Organization's financial crisis, serious consideration should be given to the proposal to introduce incentives and disincentives. Member States, especially developing countries, which paid promptly should be rewarded by, *inter alia*, procurement contracts. The Committee on Conferences should further tighten procedures for the application of Article 19; that could have a positive impact on the financial situation. Strict application of Article 19 appeared to be the only way of addressing the financial crisis, but any change in the procedure for its application should not result in an increase in the number of developing countries losing their voting rights. Requests for exemption must be given fair and equal treatment; in that connection it was crucial for the General Assembly to devise a clear set of guidelines on waivers to avoid confusion in dealing with such an important issue. It was important to note, in that regard, that non-payment by major contributors had a far greater impact than non-payment by small contributors.

19. **Mr. Elmontaser** (Libyan Arab Jamahiriya) said that, with regard to the overall effect of the low per capita income adjustment, his delegation agreed with the opinion expressed in paragraph 65 of the report of the Committee on Contributions (A/53/11) that any change in the adjustment

that might eventually be recommended by the Committee should not reduce the total benefit accruing to developing countries from its application. His delegation also noted and approved the statements made in paragraphs 68 to 72 of the report concerning the minimum assessment rate, the maximum rate and the scheme of limits. His delegation was not in favour of the annual recalculation of the scale of assessments, since that would lead to technical distortions in the scale and would have an unfair impact on the assessments of certain Member States, but it agreed that the introduction of a per capita assessment ceiling would be contrary to the principle of capacity to pay, since it would result in the assessment of 13.062 per cent of the total scale on States with a low or medium per capita gross national product (GNP) and would therefore be unfair.

20. Over 75 per cent of the regular budget was assessed on the eight largest contributors, beginning with the United States, which had an assessed contribution of 25 per cent of the total. It would, however, be misleading to conclude that that contribution was high in relative terms, since the cost to the United States was offset by certain benefits which it derived from the United Nations. For example, United States citizens far outnumbered the nationals of any other Member State in the secretariats of the organizations. In addition, 49 per cent of the amount spent on procurement in New York in 1996 had been paid to United States companies, and New York City benefited considerably from the presence of United Nations Headquarters, as the Mayor himself had admitted. If the benefits enjoyed by the United States were set against its contribution, its share of the total did not seem so high. Indeed, the next seven largest contributors together paid twice as much as the United States and were thus at a disadvantage, particularly those that were not permanent members of the Security Council. It should also be borne in mind that the contribution of the United States to the regular budget was equal to only $1.11 per citizen, whereas the contribution of a small country such as San Marino amounted to $4.26 per citizen.

21. Following a period of unprecedented austerity since 1984–1985, during which the staff of the United Nations had been reduced by 25 per cent, his delegation considered that the ceiling of 25 per cent should be abolished and the scale of assessments should be based solely on the capacity of Member States to pay.

22. With respect to the scale of assessments for peacekeeping, his delegation was not in favour of preparing a new scale and supported those delegations which considered that, since the matter had not been referred to the Committee on Contributions by the General Assembly, it was outside the Committee's terms of reference. However, his delegation felt that it was the responsibility of the permanent members of the Security Council to shoulder additional burdens commensurate with the privileges they enjoyed as such. His delegation had called for those privileges to be abolished in the interest of equality among Member States.

23. As for the application of Article 19 of the Charter, his delegation sympathized with all those countries which were experiencing economic difficulties, whatever their cause. All countries should be treated equally and his delegation, together with the delegations of other Member States, was prepared to consider any request for exemption when it was convinced that the available resources of the country concerned were not sufficient for it to pay its arrears.

24. In conclusion, he asked whether the calculation of arrears for the purposes of the application of Article 19 included the total arrears of contributions to the regular budget, as well as the arrears for peacekeeping and international tribunals, and, if so, what was the accounting base for determining arrears of contributions for peacekeeping for a period equal to two years or more, and what was the corresponding legislative mandate. He also asked whether States whose assessed contributions had been reduced would be more likely to lose the right to vote in accordance with Article 19. For example, if a State which had previously been assessed at $500,000 annually had arrears totalling $800,000 and then had its annual contribution reduced to $300,000 with the adoption of a new scale, the total amount due for the preceding two years would be $1 million for it to be subject to Article 19, while its contribution for the two years following the adoption of the new scale would be $600,000 annually. Its previous arrears would thus appear to make the State liable to lose its right to vote. In that connection, he asked whether there would be a time gap between the calculations of the two scales.

25. *Mr. Armitage (Australia), Vice-Chairman, took the Chair.*

26. **Mr. Bay** (Singapore) said that, while the principle of capacity to pay was one of the few universally accepted elements of the methodology for determining the scale of assessments, there was no consensus as to how capacity to pay should be measured. Because the scale of assessments was a zero-sum game, every proposed change in the scale methodology affected the financial interests of Member States. However, Member States were unwilling to admit that they acted on the basis of those interests, preferring instead to refer to principles of equity or progressivity. Thus,

a confrontational approach was taken to what should be a purely technical matter.

27. The Fifth Committee's work on the issue had been complicated by attempts to make arbitrary changes in the scale of assessments that would distort the methodology. For example, the United States delegation's proposal that the ceiling should be lowered had been unacceptable to the vast majority of Member States, yet the Committee had agreed to consider it if the United States paid its arrears to the Organization. Unfortunately, nearly a year after that offer had been made, the United States was still heavily indebted to the United Nations. His delegation agreed with the Secretary-General that the failure of the United States to pay its arrears amounted to a failure to honour its contract with the rest of the world at a time when leadership was vital. He urged the United States to pay its arrears as soon as possible.

28. The Canadian proposal that positive progressivity should be introduced in the assignment of points to countries above the low per capita income threshold addressed a problem that affected only a handful of countries and would cause far greater distortions in the scale methodology. He hoped that the Canadian delegation would not insist on incorporating its proposal into the scale methodology, in view of the unanimous position of the Committee on Contributions that the idea was not an acceptable solution to the problem of discontinuity (A/53/11, para. 63). Other elements of the current methodology, including the lowering of the floor to 0.001 per cent and the compromises reached on the low per capita income gradient and the base period, were generally accepted and represented a carefully balanced package that no delegation should attempt to disturb.

29. In response to the statement made at an earlier meeting on behalf of the European Union to the effect that the latter would like to revise the peacekeeping scale, he reiterated the traditional support of the Movement of Non-Aligned Countries and the Group of 77 and China for the existing peacekeeping scale. Developing and newly industrialized countries faced special economic and structural difficulties that increased their vulnerability, as was shown by the recent Asian financial crisis. Any proposal to introduce radical reforms in the peacekeeping scale should take those problems duly into account.

30. **Ms. Buergo Rodríguez** (Cuba) said that all elements of the scale methodology must reflect the basic criterion of capacity to pay. The debt-burden and low per capita income adjustments were important in that regard. With respect to exchange rates, the criteria established in General Assembly resolution 46/221 B should be maintained. The ceiling should be eliminated, as it seriously distorted the principle of capacity to pay by assigning the beneficiary country a much lower rate than it was capable of assuming.

31. Her delegation was deeply disappointed at the failure of some delegations to approach the issue of requests for exemption under Article 19 of the Charter with due seriousness and consistency. Attempts to impose discriminatory and selective practices in that area were unacceptable. The Committee should grant the exemptions requested by Bosnia and Herzegovina, the Congo and Iraq for the same period that had been granted previously to Guinea-Bissau and Georgia. At the same time, it should develop a practical mechanism to enable the General Assembly to respond to such requests at times when the Committee on Contributions was not in session.

32. Most of the delegations that had participated in the debate had recognized that the Organization's chronic financial problems were unrelated to the scale methodology and had been caused by the non-payment of assessed contributions by the major contributor, which was also the major beneficiary of the Organization's existence. Her Government reaffirmed its willingness to comply with its obligations under the Charter by substantially reducing its indebtedness to the Organization, despite the economic difficulties it faced for reasons that were well known. Lastly, she agreed that the item under consideration was unrelated to the issue of peacekeeping assessments.

33. **Mr. Mirmohammad** (Islamic Republic of Iran) said that the income factor alone was insufficient to reflect the real capacity to pay of Member States at different levels of development. The debt-burden and low per capita income adjustments were crucial for arriving at an accurate and realistic determination of a country's capacity to pay. He agreed with the Committee on Contributions that the parameters of the current formula for the low per capita income adjustment met the needs of all countries with low per capita income and best reflected the capacity to pay of Member States (A/53/11, para. 59).

34. He supported the proposal that the base period should be reduced to three years for the next scale of assessments, since that would provide the most recent and realistic approximation of current capacity to pay. He shared the reservations expressed by the Committee on Contributions regarding the use of purchasing power parity conversion rates, on both conceptual and practical grounds (A/53/11, para. 48) and agreed that the reintroduction of a ceiling on per capita assessments set at the level of the per capita assessment of the Member State with the highest rate of assessment would be contrary to the principle of capacity to pay (A/53/11, para. 85). The ad hoc mechanism for the

apportionment of the expenses of peacekeeping operations, which reflected the special responsibility of the permanent members of the Security Council, should be institutionalized.

35. He shared the views of the Group of 77 and China on the review of the procedural aspects of the consideration of requests for exemption under Article 19 of the Charter. As the Committee on Contributions had noted, the procedural implications of any proposed change in the periodicity or timing of the calculation and application of Article 19 should be taken into account (A/53/11, para. 8). The discrepancy between the Organization's financial year and that of some Member States should also be taken into account.

36. **Mr. Abdullah** (Bahrain) said that the report of the Committee on Contributions (A/53/11) dealt with most of the matters referred to it by General Assembly resolution 52/215 and related resolutions, and with the opinions, proposals and questions of Member States. However, there were a few matters still requiring further study and analysis which would be dealt with by the Committee at its next session when it would make its recommendations to the General Assembly at its fifty-fourth session.

37. The Committee on Contributions had reviewed the results of applying positive progressivity in assigning points arising from the low per capita income adjustment to countries that were above the threshold, with the other elements of the current scale and with a range of different gradients above the threshold. It had noted that, because of the distribution of incomes and per capita incomes among Member States, that would involve shifting additional points to a very small number of Member States and, for that reason, had concluded that the proposal was not an acceptable solution for the problem of discontinuity (A/53/11, para. 63). His delegation supported that conclusion.

38. His delegation fully agreed with the statement made on behalf of the Group of 77 and China to the effect that item 118 of the agenda should not include the budget for peacekeeping operations but should focus on the scale of assessed contributions to the regular budget of the United Nations.

39. **Mr. Estévez López** (Guatemala) said that the basic elements of the current methodology for preparing the scale of assessments should be maintained in determining the scale for the period 2001–2003, particularly in view of the unpredictability and turbulence of financial and capital markets. The scale should remain predictable and stable and should continue to be based on real capacity to pay, as determined according to transparent procedures and adequate information on the economic situation of Member States. The debt-burden adjustment, which should include both principal and interest, and the low per capita income adjustment were essential for the measurement of real capacity to pay. The effect of the exchange rates used to compare different economies must also be borne in mind.

40. Any changes to the scale of assessments should be made gradually, since the mere fact of introducing changes tended to generate distortions. It was important to consider only the scale of assessments for the regular budget under agenda item 118, since peacekeeping assessments were related to other issues such as the special responsibility of the permanent members of the Security Council. He was concerned about the large increase, since 1995, in the number of requests for exemption under Article 19 of the Charter. The participation of the Committee on Contributions in considering such requests should be strengthened, pursuant to rule 160 of the rules of procedure of the General Assembly.

41. The scale of assessments was a kind of international tax system that apportioned the expenses not only of the United Nations, but also of several dozen intergovernmental organizations that used the same scale. Justice and equity were therefore particularly important to bear in mind, especially in relation to developing countries. Since statistics alone could not reflect all the factors that affected a country's real capacity to pay, the Fifth Committee should consider those factors along with statistics and technical reports.

42. *Mr. Abelian (Armenia) resumed the Chair.*

43. **Mr. Parfenov** (Ukraine) said that the current scale of assessments provided a better reflection than the previous scale of the capacity of Member States to pay, but noted that the report of the Committee on Contributions (A/53/11) mentioned a number of outstanding problems for the future.

44. His delegation would be willing to support the further reduction of the low per capita income adjustment gradient but considered that a new element should be incorporated into the scale methodology in order to prevent excessive disparities between the rates of assessment of Member States and their share in the global gross national product (GNP). In his delegation's view, such distortions should not exceed 50 to 75 per cent.

45. It also considered that further corrections should be made to the debt-burden adjustment and, in general, supported the recommendations of the Committee in the report on its fifty-seventh session (A/52/11) and the views expressed in paragraph 53 of the report on its fifty-eighth session (A/53/11).

46. His delegation would continue to press for the introduction of a three-year base period in the next scale of assessments and considered that proposals to conduct annual recalculations of the assessment rates deserved due consideration. At its next session, the Committee on Contributions should pay special attention to consideration of that issue and should reconsider the problem of applying exchange rates in recalculating GNP in terms of United States dollars.

47. With respect to the application of Article 19 of the Charter, he said that if the rules and procedures for depriving Member States of the right to vote in accordance with that Article were tightened, the result would be a significant increase in the number of countries that lost their voting rights in the General Assembly. His delegation felt that such a turn of events would not be in the interest of the Organization. It also took the view that the question of amending the current rules and procedures for the application of Article 19 should be considered both by the Committee on Contributions and by the Special Committee on the Charter of the United Nations and on the Strengthening of the Role of the Organization.

48. For the purpose of tightening the mechanism envisaged in Article 19, his delegation proposed that the procedures should be applied twice a year and that recalculations of the amounts of arrears and assessed contributions should be made using net amounts.

49. Before discussing tightening the application of Article 19, it was necessary to work out a clear and effective system for waiving its application on the basis of well-founded requests from Member States. Any decision not to apply Article 19 should take into account the political, economic and financial situation of a country, as well as that country's ability to pay.

50. His own country was making every effort to settle its arrears of contributions to the United Nations. It had already contributed over $13 million during 1998 and intended to make an additional payment by the end of the year. The fact that it was making those efforts under the very difficult economic situation existing in the country was an indication of its commitment to fulfilling its obligations under the Charter.

51. At the same time, he pointed out that Ukraine had become one of the largest debtors to the United Nations as a result of circumstances beyond its control. The major reason why his country's debt to the regular budget and to the financing of peacekeeping activities had accumulated was that an excessively high assessment rate had been established which did not reflect its actual capacity to pay. His country would continue to insist on the need for the adoption of a special decision to resolve its debt problem, in particular by transferring a significant portion of the debt to a special account. It remained firmly opposed to any tightening of the rules and procedures for the application of Article 19.

52. **Mr. Wilmot** (Ghana) said that the length of the base period should reflect changes in the economic development of Member States and ensure stability in the scale of assessments. Accordingly, his delegation had supported the base period of six years, as a compromise between the proposals for longer or shorter periods. The Committee on Contributions should bear those facts in mind when it discussed the possibility of further reducing the base period for the next scale of assessments.

53. Although his delegation had accepted the earlier conclusion by the Committee on Contributions that market exchange rates should be used for the purposes of the scale except when other conversion rates gave a more accurate approximation of the income of certain Member States, it welcomed the decision by that Committee to review the issue again at its next session (A/53/11, para. 50). The debt-burden adjustment was a necessary means of recognizing the effect of debt on the socio-economic development, and therefore the capacity to pay, of many developing countries. The low per capita income adjustment was also essential. He hoped that the criticisms expressed by some members of the Committee on Contributions with regard to the correct level of the gradient and the problem of discontinuity in relation to countries that crossed the low per capita income threshold between scale periods would not result in a decision that would reduce the total benefit accruing to developing countries from the application of that principle. His delegation supported the current maximum assessment rate for the least developed countries (0.01 per cent), as well as the current floor and ceiling rates (0.001 per cent and 25 per cent, respectively).

54. His delegation accepted the need for sympathetic consideration of requests from Member States that faced serious economic problems as a result of natural calamities, war and other factors. The Committee on Contributions should consider such requests in a timely manner and provide technical advice to the General Assembly to enable it to make an informed judgement.

55. In that connection, the Committee on Contributions had emphasized the importance of having the fullest possible information. Member States requesting exemptions under Article 19 of the Charter should therefore provide the Committee on Contributions with prompt and adequate

information on economic aggregates, government revenues, foreign exchange resources, indebtedness and any difficulties in meeting domestic or international financial obligations.

56. While his delegation accepted the view of the Committee on Contributions that action under Article 19 alone could not solve the Organization's financial problems (A/53/11, para. 22), it recognized that changes in the current procedures for the application of Article 19 might have a positive impact on payments and thus on the financial situation of the United Nations. The Committee on Contributions should therefore give further consideration to the issue at its next session, including the practical implications of the proposals outlined in its report.

57. His delegation was of the view that the financial crisis facing the United Nations was due not to the operation of the scale of assessments but rather to the non-payment of contributions already approved in accordance with the scale of assessments. It therefore called on all Member States in arrears to settle their arrears promptly, in full and without conditions. The disingenuous practice of some Member States which paid just enough of their outstanding contributions to keep them from losing their right to vote must be discouraged. His delegation urged the Committee on Contributions to continue, pursuant to its mandate, to examine the issue of additional sanctions against Member States in arrears and to make appropriate recommendations to the General Assembly as early as possible. Such sanctions might include, *inter alia*, the indexation of arrears to take account of the loss of purchasing power of the amounts in question, restricting access for Member States in arrears to recruitment and procurement opportunities offered by the Organization, or barring such States from contesting elections to various bodies of the Organization or from presenting candidates for appointment to positions in United Nations bodies. There should be no representation without taxation.

58. **Ms. Incera** (Costa Rica) said that her delegation fully shared the views expressed by Indonesia on behalf of the Group of 77 and China, but wished to make a few additional observations. It supported the decisions to waive the application of Article 19 with respect to the Comoros, Georgia, Guinea-Bissau and Tajikistan, in view of the objective situations prevailing in those Member States. The three other States which had requested exemptions should be accorded equal treatment, although each case should be considered separately. Moreover, all future requests for exemption should be referred to the Committee on Contributions. It should be borne in mind that Article 19 of the Charter was the only instrument available to the Organization with which to sanction Member States which failed to fulfil their financial obligations.

59. Peacekeeping assessments were different from the regular budget scale of assessments and her delegation supported the call by the Group of 77 and China for the establishment of a formal and permanent scale of assessments for peacekeeping operations. The Organization's current financial difficulties were impairing its ability to carry out its mandates and it was therefore imperative that Member States discharge their obligations in full, on time and without conditions.

60. **Mr. Etuket** (Chairman of the Committee on Contributions) said that at its fifty-ninth session the Committee on Contributions would take due account of the valuable observations and suggestions that had been made by members of the Fifth Committee. During the Fifth Committee's consideration of requests for exemption under Article 19 of the Charter, a broad consensus had emerged on the need for fairness and promptness in addressing such requests and for strict adherence to the provisions of rule 160 of the rules of procedure of the General Assembly. The Committee on Contributions hoped that the General Assembly would agree on, and that Member States would adhere to, clear procedures for handling such requests.

61. Responding to questions which had been posed by the representative of the Libyan Arab Jamahiriya, consistent with regulation 5.4 of the Financial Regulations and Rules of the United Nations, the amount of arrears for the purposes of calculations with regard to Article 19 included all assessments that had been due and payable during the previous two years. Also, the reduction in the minimum assessment rate, beginning in 1998, would be reflected in the calculation of the minimum amounts due to avoid the application of Article 19 in 1999 and 2000; that might have the effect of increasing the number of Member States affected.

Agenda item 113: Programme budget for the biennium 1998–1999 (*continued*)

Utilization of the development dividend (*continued*) (A/53/7/Add.4 and A/53/374; A/C.5/53/30)

62. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that the Group was not prepared at the current stage to make substantive comments on the important issue of the utilization of the development dividend and would address only the procedural aspects of the Committee's deliberations on the reports of the Secretary-General (A/53/374) and of the Advisory

Committee on Administrative and Budgetary Questions (ACABQ) (A/53/7/Add.4) on the subject.

63. As a standing principle, the Group of 77 and China reserved the right to make comments on the report of the Secretary-General only after it had received the report of ACABQ and the outcome of the deliberations of the Second Committee. The Group of 77 and China had been informed by the Chairman of the Second Committee that that Committee had not yet completed its consideration of the report of the Secretary-General. He therefore wished to propose that consideration of the issue by the Fifth Committee should be deferred pending the outcome of the Second Committee's deliberations.

64. **Mr. Schlesinger** (Austria), speaking on behalf of the European Union, said that his delegation had been prepared to discuss the reports of the Secretary-General and of ACABQ on the utilization of the development dividend. It would not, however, block a consensus on the proposal made by the Group of 77 and China that the Fifth Committee should defer its consideration of the reports until they had been considered by the Second Committee, provided that a deadline was set for the Second Committee to complete its discussion thereof. He wished to suggest a deadline of two weeks.

65. **Mr. Atiyanto** (Indonesia), speaking on behalf of the Group of 77 and China, said that he was grateful for the understanding which the European Union had shown for the position taken by the Group of 77 and China and had no difficulty with the time-frame that had been suggested. He requested the Chairman to convey the sentiments of the Group of 77 and China to the Chairman of the Second Committee and to advise him of the deadline which had been suggested.

66. **The Chairman** said he took it that the Committee agreed to the proposal just made by the representative of Indonesia on behalf of the Group of 77 and China.

67. *It was so decided.*

Agenda item 145: Review of the implementation of General Assembly resolution 48/218 B

68. **Mr. Schlesinger** (Austria), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia and, in addition, Iceland and Norway, said that the establishment of the Office of Internal Oversight Services (OIOS) four years previously had responded to a widely felt need to enhance internal oversight within the organization. Before 1994, various internal oversight units had reported directly to programme managers, and their findings and recommendations had rarely been acted upon by the senior management. The new institutional arrangements set forth in General Assembly resolution 48/218 B allowed for more effective management of programmes and of human and financial resources, and for a more transparent assignment of responsibility and accountability. It had also provided the Office with operational independence under the authority of the Secretary-General and established the legislative basis for an oversight responsibility which had been underdeveloped within the Secretariat prior to 1994.

69. The role and functioning of OIOS as an internal oversight mechanism had to be distinct from the existing external oversight machinery in the United Nations. He agreed with the conclusions of the Joint Inspection Unit in its report (A/53/171) regarding the importance of internal oversight as a critically important tool for executive heads in fulfilling their management responsibilities. Recommendations contained in reports from internal oversight mechanisms were addressed to the Secretary-General in his capacity as the chief administrative officer of the Secretariat and he might transmit them to legislative bodies for the information of Member States for the purpose of transparency. Where the Secretary-General considered that legislative action was required, it would be up to him to submit a proposal to Member States.

70. The European Union had supported resolution 48/218 B in July 1994 with a view to creating a viable and effective internal oversight function within the Organization. It had never regarded OIOS as a vehicle for spending cuts. On the contrary, it saw it as a mechanism to enable the most effective use to be made of the Organization's resources. The European Union agreed with the Secretary-General that OIOS had been critical in making the organization more responsive, more efficient and more accountable than it had been a few years previously, and it appreciated the Secretary-General's assessment that the Office had significantly contributed to his reform programme.

The meeting rose at 12.10 p.m.